Eleventh Finance Commission relating to devolution of Central taxes and duties, quantum of grants-in-aid and debt relief to States as contained in its main report for the period 2000-05. The main report of the Eleventh Finance Commission together with an explanatory memorandum as to the action taken on the recommendations of the Commission was laid on the Table of the both Houses of Parliament of 27th July, 2000.

Financial Position of Maharashtra

262. SHRI R.S. GAVAI: Will the Minister of FINANCE be pleased to state:

(a) whether financial position of most of the States including Maharashtra has been deteriorating recently;

(b) if so, the details thereof;

(c) how far decreasing resource mobilisations mailing through taxation is responsible for this; and

(d) the steps taken by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN): (a) and (b) financial position of the States including Maharashtra has been characterised by rising gross fiscal deficit and revenue deficit levels as is evidenced by the following table:

(Rs. in crores)

Year	All State		Maharashtra	
	Gross Fiscal Deficit	Revenue Deficit	Gross Fiscal Deficit	Revenue Deficit
1997-98 (A/c)	44200	16333	6442.2	2579.9
1998-99 (A/c)	74254	43642	7462.4	3925.9
1999-2000 (RE)	94739	56802	13913.3	9484.0

(c) and (d) Decline in rate of growth of tax and non tax revenues

and usercharges coupled with increasing non plan revenue expenditure have had an adverse impact on the finances of the States. The financial management of the States is primarily the responsibility of the State Governments and it is for the respective State Government to initiate remedial action. However, pursuant to the recommendations of the Eleventh Finance Commission, a scheme for the States' Fiscal Reforms facility has been drawn up. Under the scheme, States have been encouraged to draw a monitorable fiscal reforms program aimed at improving their financial position in the medium term.

Efficacy of Liberalisation and lower tax rates

263. SHRI V.V. RAGHAVAN:
SHRI J. CHITHARANJAN:

Will the Minister of FINANCE be pleased to state:

(a) Whether it is a fact that the liberalisation combined with lower rates of tax policy has not translated itself into higher growth and higher tax receipts for Government;

(b) if so, the details thereof; and

(c) the changes proposed to be made in the current economic policy in view of its failure to fulfil the objectives?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN): (a) to (c) Reform of the tax system has emphasised the need to move to a tax structure which is simple, relies on moderate tax rates with a wider base and better enforcement and serves the objectives of equity and efficiency. Tax reforms have helped in restructuring the tax system by increasing the role of direct taxes and reducing that of customs duties in particular. Peak basic customs advalorem tariff rate has been reduced from more than 300 per cent in 1990-91 to 35 per cent in 2001-02; similarly peak basic advalorem excise rate has been reduced from 110 per cent in 1990-91 to 16 per cent Central Value Added tax plus 16 per cent special excise duty. On the direct tax front, the maximum income tax rate on individuate & Hindu undivided Families was reduced from 50